

ASSEMBLY, No. 2420

STATE OF NEW JERSEY

INTRODUCED OCTOBER 7, 1996

By Assemblywoman VANDERVALK

1 AN ACT concerning patient protections under health benefits plans,  
2 supplementing Titles 26 and 17 of the Revised Statutes and Title  
3 17B of the New Jersey Statutes and amending P.L.1973, c.337.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. This act shall be known and may be cited as the "Health Care  
9 Quality Act."

10

11 2. (New section) As used in sections 2 through 11 of this act:

12 "Carrier" means an insurance company, health service corporation,  
13 hospital service corporation, medical service corporation or health  
14 maintenance organization authorized to issue health benefits plans in  
15 this State.

16 "Commissioner" means the Commissioner of Health and Senior  
17 Services.

18 "Covered person" means a person on whose behalf a carrier or  
19 other entity offering the plan is obligated to pay benefits pursuant to  
20 the health benefits plan.

21 "Covered service" means a health care service provided to a  
22 covered person under a health benefits plan for which the carrier or  
23 other entity offering the plan is obligated to pay benefits.

24 "Department" means the Department of Health and Senior Services.

25 "Health benefits plan" means a benefits plan which pays hospital and  
26 medical expense benefits for covered services and is delivered or  
27 issued for delivery in this State by or through a carrier or any other  
28 entity. For the purposes of this act, health benefits plan shall not  
29 include the following plans, policies or contracts: accident only,  
30 credit, disability, long-term care, Medicare supplement coverage,  
31 CHAMPUS supplement coverage, coverage for Medicare services  
32 pursuant to a contract with the United States government, coverage  
33 for Medicaid services pursuant to a contract with the State, coverage  
34 arising out of a workers' compensation or similar law, automobile

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 medical payment insurance, personal injury protection insurance issued  
2 pursuant to P.L.1972, c.70 (C.39:6A-1 et seq.) or hospital  
3 confinement indemnity coverage.

4 "Health care provider" means an individual or entity which, acting  
5 within the scope of its licensure or certification, provides a covered  
6 service defined by the health benefits plan. Health care provider  
7 includes, but is not limited to, a physician and other health care  
8 professionals licensed pursuant to Title 45 of the Revised Statutes, and  
9 a hospital and other health care facilities licensed pursuant to Title 26  
10 of the Revised Statutes.

11 "Managed care plan" means a health benefits plan that integrates the  
12 financing and delivery of appropriate health care services to covered  
13 persons by arrangements with participating providers, who are selected  
14 to participate on the basis of explicit standards, to furnish a  
15 comprehensive set of health care services and financial incentives for  
16 covered persons to use the participating providers and procedures  
17 provided for in the plan. A managed care plan may be issued by or  
18 through a carrier which assumes financial risk for the plan or any other  
19 entity that provides and finances health benefits for a covered person.

20 "Network contractor" means an entity that enters into a contractual  
21 arrangement with a health care provider to form a network of  
22 providers to deliver a comprehensive package of health care services,  
23 which includes hospital and medical services, to residents of this State  
24 and contracts with a payer for access to the network for the payer's  
25 managed care plan. A network contractor does not assume financial  
26 risk for the health care services provided by the network for a  
27 managed care plan. A network contractor may contract with payers  
28 to provide utilization management and quality assurance programs and  
29 other related services. Network contractor shall not include an entity  
30 that operates under an exclusive contract with one or more health  
31 maintenance organizations which hold a certificate of authority  
32 pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.).

33 "Utilization management" means a system for reviewing the  
34 appropriate and efficient allocation of health care services under a  
35 health benefits plan according to specified guidelines, in order to  
36 recommend or determine whether, or to what extent, a health care  
37 service given or proposed to be given to a covered person should or  
38 will be reimbursed, covered, paid for, or otherwise provided under the  
39 health benefits plan. The system may include: preadmission  
40 certification, the application of practice guidelines, continued stay  
41 review, discharge planning, preauthorization of ambulatory  
42 procedures, and retrospective review.

43

44 3. (New section) a. A managed care plan in effect on the effective  
45 date of this act which provides benefits to residents of this State shall  
46 file a registration form with the department within 90 days of the

1 effective date of this act. A managed care plan established after the  
2 effective date of this act or for which corporate ownership changes  
3 after the effective date of this act shall file a registration form with the  
4 department at least 30 days prior to the date the plan will begin to  
5 provide benefits to residents of this State. The registration form shall  
6 be valid for two years, but the managed care plan shall notify the  
7 department within 10 business days of any change in information  
8 provided on the registration form.

9 b. A carrier which offers an individual or group health benefits plan  
10 to residents of this State on an indemnity basis on the effective date of  
11 this act shall file a registration form with the department within 90  
12 days of the effective date of this act. A carrier authorized to issue  
13 health benefits plans in this State after the effective date of this act or  
14 for which corporate ownership changes after the effective date of this  
15 act shall file a registration form with the department at least 30 days  
16 prior to the date the carrier will begin to offer a health benefits plan to  
17 residents of this State. The registration form shall be valid for two  
18 years, but the carrier shall notify the department within 10 business  
19 days of any change in information provided on the registration form.

20 c. A network contractor in operation on the effective date of this  
21 act shall file a registration form with the department within 90 days of  
22 the effective date of this act. A network contractor established after  
23 the effective date of this act or for which corporate ownership changes  
24 after the effective date of this act shall file a registration form with the  
25 department at least 30 days prior to the date the entity will begin to  
26 offer its services in this State. The registration form shall be valid for  
27 two years, but the network contractor shall notify the department  
28 within 10 business days of any change in information provided on the  
29 registration form.

30 d. The commissioner shall establish a registration form for  
31 managed care plans, indemnity carriers and network contractors which  
32 shall request, at a minimum, the official address and telephone number  
33 of the place of business of the managed care plan, carrier or network  
34 contractor.

35 e. The filing of a registration form by a managed care plan,  
36 indemnity carrier or network contractor with the department pursuant  
37 to this act is for informational purposes only in order to enable the  
38 department to carry out the provisions of this act. The registration  
39 required pursuant to this act shall not be construed to authorize the  
40 department to regulate managed care plans, carriers or network  
41 contractors in any manner not otherwise provided by law.

42 f. A managed care plan, indemnity carrier or network contractor  
43 filing a registration form with the department pursuant to this act shall  
44 pay a biennial registration fee of \$200.

45 g. A health maintenance organization which holds a certificate of  
46 authority pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.) shall be

1 exempt from the registration requirements of this section but shall  
2 comply with the provisions of sections 2 and 4 through 21 of this act.

3 A health maintenance organization shall be required to comply with  
4 the provisions of P.L.1973, c.337 (C.26:2J-1 et seq.) and any rules and  
5 regulations adopted pursuant thereto, except that in the event that the  
6 provisions of this act conflict with the provisions of P.L.1973, c.337  
7 (C.26:2J-1 et seq.), the provisions of this act shall supercede the  
8 provisions of P.L.1973, c.337

9 h. A carrier which issues health benefit plans utilizing a selective  
10 contracting arrangement pursuant to section 22 of P.L.1993, c.162  
11 (C.17B:27A-54) shall be exempt from the registration requirements of  
12 this section with respect to the selective contracting arrangement, but  
13 shall comply with the provisions of sections 2 and 4 through 21 of this  
14 act.

15 A carrier shall be required to comply with the provisions of section  
16 22 of P.L.1993, c.162 (C.17B:27A-54) and any rules and regulations  
17 adopted pursuant thereto, except that in the event that the provisions  
18 of this act conflict with the provisions of section 22 of P.L.1993, c.162  
19 (C.17B:27A-54), the provisions of this act shall supercede the  
20 provisions of P.L.1993, c.162.

21

22 4. (New section) A managed care plan or indemnity carrier, as  
23 appropriate, shall disclose in writing, in easily understandable  
24 language, to a subscriber, insured or enrollee, as the case may be, the  
25 terms and conditions of its health benefits plan, and shall promptly  
26 provide the subscriber, insured or enrollee with written notification of  
27 any change in the terms and conditions prior to the effective date of  
28 the change. The managed care plan or indemnity carrier shall provide  
29 the required information at the time of enrollment and annually  
30 thereafter.

31 a. The information required to be disclosed pursuant to this section  
32 shall include a description of:

33 (1) covered services and benefits to which the covered person is  
34 entitled;

35 (2) treatment policies and restrictions or limitations on covered  
36 services and benefits, including, but not limited to, physical and  
37 occupational therapy services, clinical laboratory tests, hospital and  
38 surgical procedures, prescription drugs and biologics, radiological  
39 examinations and behavioral health services;

40 (3) financial responsibility of the covered person, including  
41 copayments and deductibles;

42 (4) prior authorization and any other review requirements with  
43 respect to accessing covered services;

44 (5) where and in what manner covered services may be obtained;

45 (6) changes in covered benefits, including any addition, reduction  
46 or elimination of specific benefits;

1 (7) the covered person's right to appeal and the procedure for  
2 initiating an appeal of a utilization management decision made by or  
3 on behalf of the managed care plan or carrier with respect to the  
4 denial, reduction or termination of a covered health care benefit or the  
5 denial of payment for a health care service;

6 (8) the procedure to initiate an appeal pursuant to the provisions  
7 of P.L., c. (C. )(pending before the Legislature as Senate  
8 Bill No. 266 of 1996); and

9 (9) such other information as the commissioner shall require.

10 b. The carrier or managed care plan shall file the information  
11 required pursuant to this section with the department.

12  
13 5. (New section) a. In addition to the disclosure requirements  
14 provided in section 4 of this act, a managed care plan shall disclose to  
15 a prospective subscriber, insured or enrollee, as the case may be, in  
16 writing, in easily understandable language, the following information:

17 (1) A participating provider directory providing information on a  
18 covered person's access to primary care physicians and specialists,  
19 including the number of available participating physicians, by provider  
20 category or specialty, and their professional office addresses. The  
21 managed care plan shall promptly notify a subscriber, insured or  
22 enrollee, who is affected, of any changes in the list of primary care  
23 physicians;

24 (2) General information about the financial incentives between  
25 participating physicians under contract with the managed care plan or  
26 network contractor, as applicable, and other participating health care  
27 providers and facilities to which the participating physicians refer their  
28 managed care patients;

29 (3) The percentage of the managed care plan's network physicians  
30 who are board certified; and

31 (4) The managed care plan's standard for customary waiting times  
32 for appointments for urgent and routine care.

33 The managed care plan shall provide the information required in this  
34 subsection at the time of enrollment and annually thereafter.

35 b. Upon request of a covered person, a managed care plan shall  
36 promptly inform the person:

37 (1) whether a particular network physician is board certified; and

38 (2) whether a particular network physician is currently accepting  
39 new patients.

40 c. The managed care plan shall file the information required  
41 pursuant to this section with the department.

42  
43 6. (New section) a. A managed care plan shall designate a  
44 licensed physician to serve as medical director of the plan. The  
45 medical director, or his designee, shall be designated to serve as the  
46 medical director for medical services provided to the managed care

1 plan's covered persons in the State and shall be licensed to practice  
2 medicine in New Jersey.

3 The medical director shall be responsible for treatment policies,  
4 protocols, quality assurance activities and utilization management  
5 decisions of the plan. The treatment policies, protocols, quality  
6 assurance program and utilization management decisions of the plan  
7 shall be based on nationally recognized standards of health care  
8 practice. The quality assurance and utilization management programs  
9 shall be in accordance with standards adopted by regulation of the  
10 department pursuant to this act.

11 b. A network contractor shall maintain quality assurance and  
12 utilization management programs for the network. The quality  
13 assurance and utilization management programs shall be in accordance  
14 with standards adopted by regulation of the department pursuant to  
15 this act. The network contractor may contract with a payer for use of  
16 the quality assurance and utilization management programs for the  
17 payer's managed care plan.

18 The network contractor shall designate a licensed physician to  
19 serve as medical director of the network. The medical director, or his  
20 designee, shall be designated to serve as the medical director for  
21 medical services provided by the network to covered persons in the  
22 State and shall be licensed to practice medicine in New Jersey. The  
23 medical director shall be responsible for quality assurance activities  
24 and utilization management decisions of the network. The quality  
25 assurance activities and utilization management decisions shall be  
26 based on nationally recognized standards of health care practice.

27 c. The medical director of the plan or network shall ensure that:

28 (1) Any utilization management decision to deny, reduce or  
29 terminate a health care benefit or to deny payment for a health care  
30 service, because that service is not medically necessary, shall be made  
31 by a physician with knowledge in the area of the health care practice.  
32 In the case of a health care service prescribed or provided by a dentist,  
33 the decision shall be made by a dentist with knowledge in the area of  
34 the health care practice;

35 (2) A utilization management decision shall not retrospectively  
36 deny coverage for health care services provided to a covered person  
37 when prior approval has been obtained from the plan or network, as  
38 appropriate, for those services, unless the approval was based upon  
39 fraudulent information submitted by the covered person or the  
40 participating provider;

41 (3) A procedure is implemented whereby participating physicians  
42 and dentists have an opportunity to review and comment on all  
43 medical and surgical and dental protocols, respectively, of the plan;  
44 and

45 (4) The utilization management program is available on a 24-hour  
46 basis to respond to authorization requests for emergency services and

1 is available, at a minimum, during normal working hours for inquiries  
2 and authorization requests for nonemergency health care services.

3

4 7. (New section) Each application for credentialing or  
5 participation, as appropriate, to a managed care plan or network  
6 contractor shall be reviewed by a committee of the plan or contractor  
7 that includes appropriate representation of health care professionals  
8 with knowledge in the applicant's scope of professional practice.

9

10 8. (New section) A managed care plan or network contractor shall  
11 establish a policy governing removal of health care providers from the  
12 plan or network which includes the following:

13 a. The plan or contractor shall inform all participating health care  
14 providers of the plan's or contractor's removal policy at the time the  
15 plan or contractor contracts with the health care providers to  
16 participate in the plan or network, and at each renewal thereof.

17 b. If a health care provider's credentialing will be withdrawn or  
18 participation terminated prior to the date of termination of the  
19 contract, the plan or contractor shall provide the provider with  
20 90-days notice of the withdrawal or termination, unless the withdrawal  
21 or termination is for breach of contract or because, in the opinion of  
22 the medical director, the health care provider represents an imminent  
23 danger to an individual patient or to the public health, safety or  
24 welfare.

25 A plan or contractor shall not terminate a contract with a provider  
26 unless the plan or contractor provides the provider with written notice  
27 of the reasons for termination.

28 Any challenge brought by a provider to his termination shall be  
29 subject to a binding alternative dispute resolution process conducted  
30 by a neutral and professional arbitration service selected either by the  
31 plan or contractor or under the terms of the provider's contract with  
32 the plan or contractor. The costs of conducting the alternative dispute  
33 resolution process shall be borne by the provider unless the arbitration  
34 service determines that the termination was made in bad faith.

35 c. If the plan or contractor finds that a health care provider  
36 represents an imminent danger to an individual patient or to the public  
37 health, safety or welfare, the plan or contractor shall promptly notify  
38 the appropriate professional State licensing board or State licensing  
39 authority, as appropriate.

40

41 9. (New section) A managed care plan's or network contractor's  
42 contract with a participating health care provider:

43 a. Shall state that the health care provider shall not be penalized or  
44 the contract terminated by the managed care plan or network  
45 contractor because the health care provider acts as an advocate for the  
46 patient in seeking appropriate, medically necessary covered health care

1 services;

2 b. Shall not provide financial incentives to the health care provider  
3 for withholding covered health care services that are medically  
4 necessary, in the opinion of the medical director; and

5 c. Shall protect the ability of a health care provider to communicate  
6 openly with a patient about all appropriate diagnostic testing and  
7 treatment options.

8

9 10. (New section) a. A managed care plan shall offer a  
10 point-of-service plan option rider to every policy or contract holder  
11 which would allow a covered person to receive covered health care  
12 benefits from out-of-network providers without having to obtain a  
13 referral or prior authorization from the managed care plan. The  
14 point-of-service plan option may require that a covered person pay a  
15 higher deductible or copayment and higher premium for the plan  
16 option, pursuant to limits established by the department by regulation.

17 b. A managed care plan shall provide each covered person in a plan  
18 whose policy or contract holder elects the point-of-service plan option,  
19 with the opportunity, at the time of enrollment and during the annual  
20 open enrollment period, to enroll in the point-of-service plan option.  
21 The managed care plan shall provide written notice of the  
22 point-of-service plan option to each covered person in a plan whose  
23 policy or contract holder elects the point-of-service option and shall  
24 include in that notice a detailed explanation of the financial costs to be  
25 incurred by a covered person who selects that plan option.

26 c. The requirements of this section shall not apply to a managed  
27 care plan which only provides health care services to Medicaid  
28 recipients pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.), or a  
29 managed care plan which has been in operation for less than three  
30 years.

31

32 11. (New section) A managed care plan, indemnity carrier or  
33 network contractor that violates any provision of this act shall be liable  
34 to a civil penalty of not less than \$250 and not greater than \$10,000  
35 for each day the plan, carrier or contractor is in violation of the act if  
36 reasonable notice in writing is given of the intent to levy the penalty  
37 and the managed care plan, indemnity carrier or network contractor  
38 has 30 days, or such additional time as the commissioner shall  
39 determine to be reasonable, to remedy the condition which gave rise  
40 to the violation, and fails to do so within the time allowed. The  
41 penalty shall be collected by the commissioner in the name of the State  
42 in a summary proceeding in accordance with "the penalty enforcement  
43 law," N.J.S.2A:58-1 et seq.

44

45 12. (New section) The commissioner shall enforce the provisions  
46 of this act and adopt rules and regulations, pursuant to the

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
2 seq.), necessary to carry out the provisions of this act.

3

4 13. (New section) Notwithstanding the provisions of chapter 26  
5 of Title 17B of the New Jersey Statutes to the contrary, no policy shall  
6 be delivered, issued, executed or renewed on or after the effective  
7 date of this act unless the policy meets the requirements of P.L. , c.  
8 (C. )(pending before the Legislature as this bill).

9

10 14. (New section) Notwithstanding the provisions of chapter 27  
11 of Title 17B of the New Jersey Statutes to the contrary, no policy shall  
12 be delivered, issued, executed or renewed on or after the effective date  
13 of this act unless the policy meets the requirements of P.L. , c.  
14 (C. )(pending before the Legislature as this bill).

15

16 15. (New section) Notwithstanding the provisions of P.L.1992,  
17 c.162 (C.17B:27A-17 et seq.) to the contrary, no policy or contract  
18 shall be delivered, issued, executed or renewed on or after the  
19 effective date of this act unless the policy or contract meets the  
20 requirements of P.L. , c. (C. )(pending before the Legislature as this  
21 bill).

22

23 16. (New section) Notwithstanding the provisions of P.L.1992,  
24 c.161 (C.17B:27A-2 et seq.) to the contrary, no policy or contract  
25 shall be delivered, issued, executed or renewed on or after the  
26 effective date of this act unless the policy or contract meets the  
27 requirements of P.L. , c. (C. )(pending before the Legislature as this  
28 bill).

29

30 17. (New section) Notwithstanding the provisions of P.L.1938,  
31 c.366 (C.17:48-1 et seq.) to the contrary, no individual or group  
32 contract shall be delivered, issued, executed or renewed on or after the  
33 effective date of this act unless the contract meets the requirements of  
34 P.L. , c. (C. )(pending before the Legislature as this bill).

35

36 18. (New section) Notwithstanding the provisions of P.L.1940,  
37 c.74 (C.17:48A-1 et seq.) to the contrary, no individual or group  
38 contract shall be delivered, issued, executed or renewed on or after the  
39 effective date of this act unless the contract meets the requirements of  
40 P.L. , c. (C. )(pending before the Legislature as this bill).

41

42 19. (New section) Notwithstanding the provisions of P.L.1985,  
43 c.236 (C.17:48E-1 et seq.) to the contrary, no individual or group  
44 contract shall be delivered, issued, executed or renewed on or after the  
45 effective date of this act unless the contract meets the requirements of  
46 P.L. , c. (C. )(pending before the Legislature as this bill).

1       20. (New section) Notwithstanding the provisions of P.L.1973,  
2 c.337 (C.26:2J-1 et seq.) to the contrary, a certificate of authority to  
3 establish and operate a health maintenance organization in this State  
4 shall not be issued or continued on or after the effective date of this  
5 act unless the health maintenance organization meets the requirements  
6 of P.L. , c. (C. ) (pending before the Legislature as this bill).

7  
8       21. Section 24 of P.L.1973, c.337 (C.26:2J-24) is amended to read  
9 as follows:

10       24. a. The commissioner may, in lieu of suspension or revocation  
11 of a certificate of authority under section 18 hereof, levy an  
12 administrative penalty in an amount not less than ~~[\$100.00]~~ \$250 nor  
13 more than~~[\$1,000.00]~~ \$10,000 for each day the health maintenance  
14 organization is in violation of P.L.1973, c.337 (C.26:2J-1 et seq.), if  
15 reasonable notice in writing is given of the intent to levy the penalty  
16 [and the health maintenance organization has a reasonable time within  
17 which to remedy the defect in its operations which gave rise to the  
18 penalty citation, and fails to do so within said time] and the health  
19 maintenance organization has 30 days, or such additional time as the  
20 commissioner shall determine to be reasonable, to remedy the defect  
21 in its operations which gave rise to the penalty citation, and fails to do  
22 so within the time allowed. Any such penalty may be recovered in a  
23 summary proceeding pursuant to ~~[the Penalty Enforcement Law~~  
24 ~~(N.J.S.2A:58-1 et seq.)]~~ "the penalty enforcement law," N.J.S.2A:58-1  
25 et seq.

26       b. Any person who violates this act is a disorderly person and shall  
27 be prosecuted and punished pursuant to the "disorderly persons law"  
28 subtitle 12 of Title 2A of the New Jersey Statutes.

29       c. (1) If the commissioner or the Commissioner of Insurance shall  
30 for any reason have cause to believe that any violation of this act has  
31 occurred or is threatened, the commissioner or Commissioner of  
32 Insurance may give notice to the health maintenance organization and  
33 to the representatives, or other persons who appear to be involved in  
34 such suspected violation, to arrange a conference with the alleged  
35 violators or their authorized representatives for the purpose of  
36 attempting to ascertain the facts relating to such suspected violation,  
37 and, in the event it appears that any violation has occurred or is  
38 threatened, to arrive at an adequate and effective means of correcting  
39 or preventing such violation.

40       (2) Proceedings under this subsection c. shall not be governed by  
41 any formal procedural requirements, and may be conducted in such  
42 manner as the commissioner or the Commissioner of Insurance may  
43 deem appropriate under the circumstances.

44       d. (1) The commissioner or the Commissioner of Insurance may  
45 issue an order directing a health maintenance organization or a  
46 representative of a health maintenance organization to cease and desist

1 from engaging in any act or practice in violation of the provisions of  
2 this act.

3 (2) Within 20 days after service of the order of cease and desist,  
4 the respondent may request a hearing on the question of whether acts  
5 or practices in violation of this act have occurred. Such hearings shall  
6 be conducted pursuant to the Administrative Procedure Act, P.L.1968,  
7 c.410 (C.52:14B-1 et seq.) and judicial review shall be available as  
8 provided therein.

9 e. In the case of any violation of the provisions of this act, if the  
10 commissioner elects not to issue a cease and desist order, or in the  
11 event of noncompliance with a cease and desist order issued pursuant  
12 to subsection d. of this section, the commissioner may institute a  
13 proceeding to obtain injunctive relief, in accordance with the  
14 applicable Court Rules.

15 (cf: P.L.1973, c.337, s.24)

16

17 22. This act shall take effect on the 180th day after enactment.

18

19

20

#### STATEMENT

21

22 This bill, which is designated the "Health Care Quality Act,"  
23 provides various consumer safeguards with respect to health insurance  
24 and the operation of managed care plans.

25 Specifically, the bill:

26 • requires managed care plans, indemnity carriers and network  
27 contractors (entities, such as preferred provider organizations or  
28 PPOs, that establish health care provider networks for managed care  
29 plans) to register with the Department of Health and Senior Services;

30 • requires managed care plans and indemnity carriers to disclose to  
31 covered persons, in writing, in easily understandable language, at the  
32 time of enrollment and annually thereafter, the terms and conditions of  
33 the health benefits plan, which information shall include a description  
34 of:

35 a. covered services and benefits to which the covered person is  
36 entitled;

37 b. treatment policies and restrictions or limitations on covered  
38 services and benefits, including, but not limited to, physical and  
39 occupational therapy services, clinical laboratory tests, hospital and  
40 surgical procedures, prescription drugs and biologics, radiological  
41 examinations and behavioral health services;

42 c. financial responsibility of the covered person, including  
43 copayments and deductibles;

44 d. prior authorization and any other review requirements with  
45 respect to accessing covered services;

46 e. where and in what manner services or benefits may be obtained;

- 1 f. changes in covered benefits, including any addition, reduction or  
2 elimination of specific benefits;
- 3 g. the covered person's right to appeal and the procedure for  
4 initiating an appeal of a utilization management decision made by or  
5 on behalf of the managed care plan or carrier with respect to the  
6 denial, reduction or termination of a covered health care benefit or the  
7 denial of payment for a health care service;
- 8 h. the procedure to initiate an appeal pursuant to the provisions of  
9 Senate Bill No. 266 of 1996 which establishes the Statewide  
10 Independent Health Benefits Plan Appeals Program in the Department  
11 of Health and Senior Services; and
- 12 i. such other information as the commissioner shall require.
- 13 • requires managed care plans to also disclose to a prospective  
14 covered person, in writing, in easily understandable language, the  
15 following information at the time of enrollment and annually  
16 thereafter:
    - 17 a. a participating provider directory providing information on a  
18 covered person's access to primary care physicians and specialists,  
19 including the number of available participating physicians, by provider  
20 category or specialty, and their professional office addresses;
    - 21 b. general information about the financial incentives between  
22 participating physicians under contract with the managed care plan and  
23 other participating health care providers and facilities to which the  
24 participating physicians refer their managed care patients;
    - 25 c. The percentage of the managed care plan's network physicians  
26 who are board certified; and
    - 27 d. The managed care plan's standard for customary waiting times  
28 for appointments for urgent and routine care.
- 29 Also, upon request of a covered person, a managed care plan shall  
30 promptly inform the person whether a particular network physician is  
31 board certified and whether a particular network physician is currently  
32 accepting new patients.
- 33 • requires managed care plans and network contractors to have a  
34 medical director who is a licensed physician and who is responsible for  
35 treatment policies, protocols, quality assurance activities and  
36 utilization management decisions of the plan, in the case of a managed  
37 care plan, and quality assurance activities and utilization management  
38 decisions, in the case of a network contractor. The medical director,  
39 or his designee, shall be a New Jersey licensed physician and shall be  
40 designated to serve as the medical director for medical services  
41 provided to covered persons in the State. Also, quality assurance and  
42 utilization management programs shall be in accordance with standards  
43 adopted by the Department of Health and Senior Services;
  - 44 • requires network contractors to maintain quality assurance and  
45 utilization management programs and provides that the network  
46 contractor may contract with payers for use of the programs for their

1 managed care plans;

2 • requires managed care plans and network contractors to establish  
3 a policy governing the removal of health care providers which provides  
4 90-days' notice for withdrawal of credentialing (if the withdrawal of  
5 credentialing occurs prior to the date of termination of the contract),  
6 unless there is a breach of contract or, in the opinion of the medical  
7 director, the health care provider represents an imminent danger to an  
8 individual patient or to the public health, safety or welfare;

9 • provides that a plan or contractor shall not terminate a contract  
10 with a provider unless the plan or contractor gives the provider  
11 written notice of the reasons for termination, and that any challenge  
12 brought by a provider to his termination shall be subject to a binding  
13 alternative dispute resolution process conducted by a neutral and  
14 professional arbitration service selected either by the plan or  
15 contractor or under the terms of the provider's contract with the plan  
16 or contractor;

17 • provides that a participating health care provider shall not be  
18 penalized or have his contract terminated because the health care  
19 provider acts as an advocate for the patient in seeking appropriate,  
20 medically necessary covered health care benefits, and prohibits any  
21 provision in a provider's contract that provides financial incentives for  
22 withholding covered health care services that are medically necessary,  
23 in the opinion of the medical director. Also, the contract shall protect  
24 the ability of a health care provider to communicate openly with a  
25 patient about all appropriate diagnostic testing and treatment options;

26 • requires a managed care plan to offer a point-of-service option  
27 rider to all policy or contract holders which would allow a covered  
28 person to receive covered health care benefits from out-of-network  
29 providers without having to obtain a referral or prior authorization  
30 from the managed care plan. The covered person may be required to  
31 pay a higher deductible or copayment and higher premium for the plan  
32 option; and

33 • provides that the penalty for violations of the bill shall be between  
34 \$250 and \$10,000 for each day the violation continues and increases  
35 the penalties in the law governing health maintenance organizations,  
36 P.L.1973, c.337, to these same amounts. The bill also provides that  
37 reasonable notice in writing be given to the managed care plan,  
38 network contractor, indemnity carrier or health maintenance  
39 organization of the intent to levy the penalty and the managed care  
40 plan, indemnity carrier, network contractor or health maintenance  
41 organization would have 30 days or such additional time as the  
42 commissioner shall determine to be reasonable, to remedy the  
43 condition which gave rise to the violation.

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- 2
- 3 Designated the "Health Care Quality Act.